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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION,

Petitioner,

HAMILTON WATCH COMPANY,

Respondent.

REPLY BRIEF OF PETITIONER ON PETITION FOR WRIT OF CERTIORARI

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REPLY BRIEF OF PETITIONER

So far from showing reason for denial of the petititon, respondent's brief confirms the need for review here in order (1) to restore the criteria established by this Court in *Kerotest** for the wise judicial administration of multiple-action situations, and (2) to halt the substitution of other criteria which would create a rigid mechanical solution, with no real room for discretion, and which would sanction and encourage the needless "customer suit" in patent controversies. Thus, respondent advances its reasons of private interest or desire for thinking that the result below was right, with principal emphasis on the matter of forum convenience which was urged below but not cited by the courts below as a material factor; but it does not at all meet petitioner's points that the decision below failed to heed the interest of the courts and the public which this Court has made paramount, and it does not refute the showing of the general importance and far reaching consequences of the decision below.

* 342 U. S. 180.

1.

The relevant part of the conflicting decision in the *Sortex* case in Michigan did not turn on the matter of customer harassment, as respondent says at page 8. That matter was dealt with as a distinct subject, following the disposition of the presently relevant question of restraining the single customer suit. (See 226 F. Supp., at 1001, column 2).

2.

Making no pretense of any need on its part to continue the prosecution of its Maryland action against the one retailer, respondent shows its disregard for this Court's criteria expressed in *Kerotest* in the phrases "conservation of judicial resources" and "comprehensive disposition of litigation", and expressed in an earlier decision of the Court below by the phrase, "unnecessary and wasteful duplication of litigation" (cf. Petition, at p. 5).

In effect, respondent grants that the duplication here is needless, and therefore wasteful of judicial resources. Instead of facing the fact, as this Court did in *Kerotest*, that the duplication exists because *both* of the prime antagonists exercised rights of access to the courts, but proceeded in different coordinate courts, and instead of recognizing, as this Court did, that it is that very fact which creates the need for "wise judicial administration", respondent would dispose of the whole matter by blaming petitioner alone for the duplication and by thereupon denying petitioner a right to seek restraint of the needless customer suit. This would leave no room for decision by the criteria established in *Kerotest*, and would automatically sanction the customer suit in all cases.

What respondent suggests as a criterion for decision is that the needless and limited customer suit be permitted

to proceed, despite the pendency of the manufacturer's comprehensive declaratory action, simply because the manufacturer (by waiving his venue privilege) could have entered the customer action and thereby could have avoided multiple actions. So too, of course, could respondent have avoided the multiplicity by suing petitioner in Connecticut in the first place, just as it sued petitioner directly in Canada and Germany. But these "last clear chance" considerations lead to no solution that gives heed to the interest of the courts and the public in a wise judicial administration of the problem that exists when the multiple actions do exist. The real question is not one of how multiplicity could have been avoided, but of how to deal with it when it does come to be.

3.

Respondent's emphasis throughout is on the asserted convenience to it of the Maryland forum. As shown by some of the cited cases, the matter of convenience has been looked to by some lower courts, although the Court below did not refer to it in the present action. This is one of the elements of confusion that has arisen and needs clarification.

Even if it be granted that convenience was what moved respondent to bring the action in Maryland, the matter of convenience dropped out when petitioner did not join in that action but instead brought the declaratory action in its home district. Respondent, having counterclaimed in the Connecticut action for its relief against petitioner, must now suffer any inconvenience of having done so. That is an inconvenience imposed on it by the venue statute, which makes Connecticut (and not Maryland) one of the districts in which respondent could sue petitioner as of right; and it is an inconvenience respondent must bear whether the needless Maryland action is or is not permitted also to proceed. It therefore cannot be material to the question of restraining the Maryland action, and it does not sup-

part the decision below. The "convenience" criterion is no proper substitute for this Court's criteria, and its emphasis by respondent serves only to show again that this Court's criteria, not heeded below, need to be restored to their proper place.

This matter of relative convenience, like that of priority, does indeed have a rational bearing when both of the prime antagonists are parties to both actions, as is not the fact here. The question then is which of the two actions should yield, and on that question it quite plainly is material to consider which forum makes better sense. Here, however, where there is but one action between the prime antagonists, and where the question is whether the needless customer action also shall proceed, the matter of convenience has no rational bearing. A needless "side-show" action is no less needless and no less wasteful of judicial resources by reason of being in a forum preferred by the patent owner. Yet, failing to observe this distinction between these two types of multiple-action situations, some of the lower courts have looked to the matter of convenience where it has no rational bearing. This but confirms the need for a clarifying decision by this Court.

4.

Respondent's quotation (pp. 6-7) of the last paragraph of the opinion in *Kerotest*, with interpolations following those of Judge Watkins in his opinion denying a stay of the Maryland action, does not justify the denial of the injunction below. It seeks to derive "rules" from *Kerotest*, while ignoring the part of this Court's opinions in that case which rejected any rigid rule and instead set up rational criteria for the exercise of a discretionary power, on the facts of each particular case.

That last paragraph of Mr. Justice Frankfurter's opinion, after pointing out that the manufacturer's declaratory action has no paramount status, simply stated a number of

the measures that are available to the manufacturer, including his freedom to bring a declaratory action in a forum different from that of an action against his customer. It did not reach the present question of when and under what circumstances the customer action should then be allowed to proceed, if a stay of it is sought. It certainly did not make the customer suit an "untouchable".

There are occasions when a customer suit is necessary to give the patent owner his full relief, as when the customer's *use* of a patented machine is in competition with the patent owner and is the real source of the damage, requiring injunctive relief against the user. On a showing of a sufficient need of that sort a patent owner could well resist any attempted restraint, and the *Kerotest* criteria would amply take care of that situation since an action against the supplier in such a case could not give a "comprehensive disposition" of the litigation (cf., Petition, p. 8 and its footnote). Here, the customer suit admittedly was not needed, and presents nothing to outweigh the need to conserve judicial resources by restraining a wasteful duplication of judicial effort.

Respondent strains at page 10 in treating one word of one sentence in that last paragraph of *Kerotest* as creating a "uniform and controlling law". The sentence quoted says that "the manufacturer may be permitted simultaneously to prosecute a declaratory action against the patentee elsewhere". Respondent takes the word "simultaneously" (as apparently Judge Watkins in Maryland did) as making a rigid rule that the earlier customer suit must be allowed to proceed in all circumstances, to preserve the simultaneity referred to. This, we submit, is reading more in than possibly could have been intended, both because the opinion elsewhere rejects any "rigid mechanical solution" and because the discussion does not even purport to deal with what should be done, after the manufacturer's declaratory action is brought, if either the manufacturer or the customer seeks to stay the customer suit. In such

context, carrying the discussion only that far, it was quite appropriate to refer to the later manufacturer action as one that could be prosecuted "simultaneously", because unless and until someone made a further move (the subject not touched) both actions presumably would proceed concurrently; and in some circumstances that would be right and proper.

The one presently significant fact in all of this is that some of the lower courts plainly have not correctly read this Court's opinion in *Kerotest*, and that its admonitions need clarification as they apply to this chronic "customer suit" situation.

5.

Judge Watkins "quaere" (Resp. brief, footnote to p. 7) as to whether petitioner is a "manufacturer" within *Kessler* v. *Eldred*, 206 U. S. 285, and his suggestion that the Connecticut action might not fully dispose of the controversy, have no basis. Respondent itself does not press the point, and it needs only a brief note lest the result below seem possibly to be right on a ground unrelated to the petition. Petitioner here is in fact the manufacturer, but it is enough that it undeniably is the prime vendor of the accused watch. Nothing in the reasoning of *Kessler* v. *Eldred* hinges on any special status of a manufacturer, as such. The rationale is that when one has won a judgment against a patent owner, giving him a freedom to sell the accused product, the effectuation of that judgment requires that the patent owner be restrained from pursuing his customers for their re-sale of the same product. It is the freedom to sell that is protected against interference with the customers' re-sale.

Respectfully,

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